



China Merchants Bank Co., Ltd. 2015 Interim Results Announcement

Forward-Looking Statement Disclaimer

This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or may be expressed to be results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. They relate to future events or our future financial, business or other performance and are subject to a number of uncertainties that may cause our actual results to differ materially.

Agenda

1

Overview

2

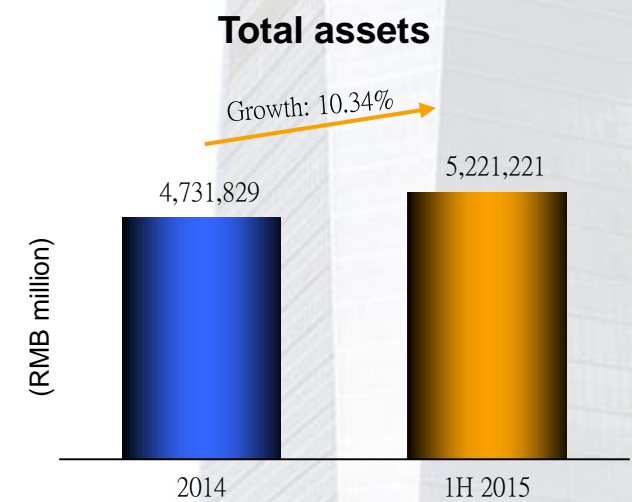
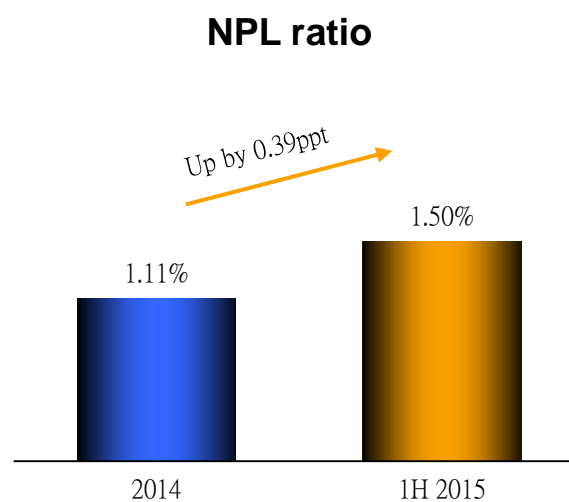
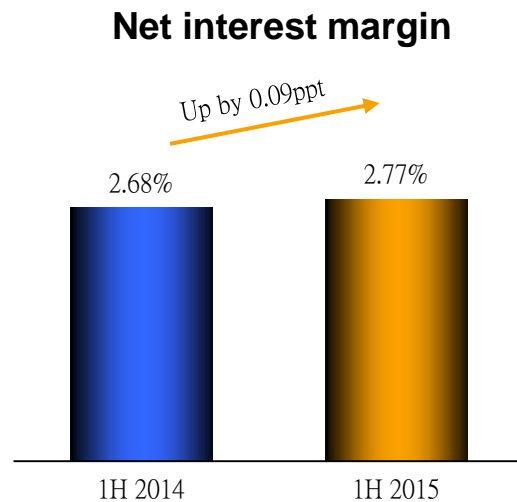
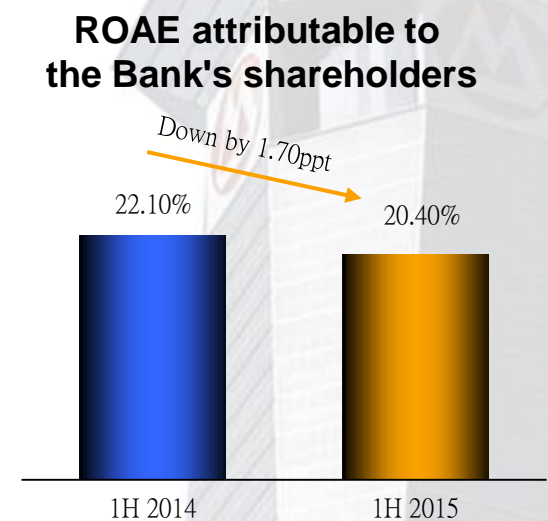
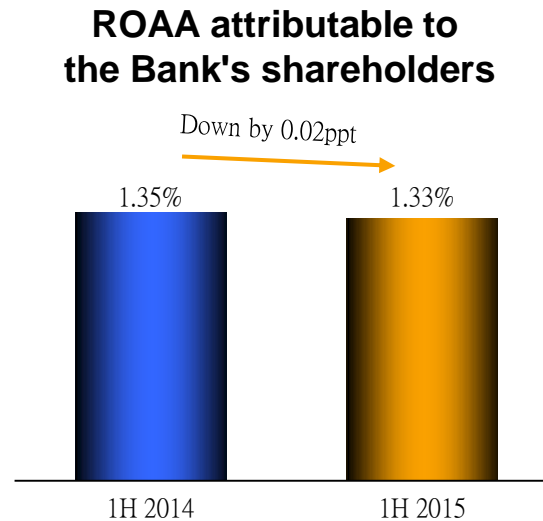
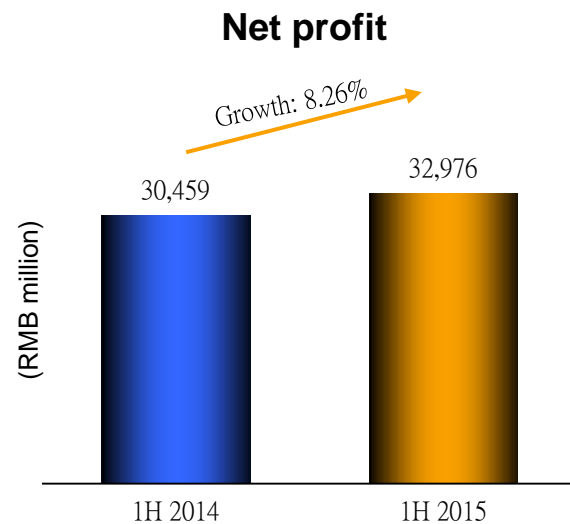
Operational Information

3

Outlook and Strategies



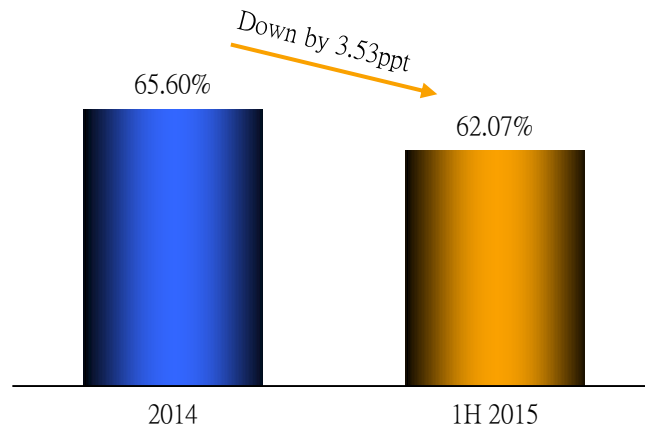
Profitability, asset quality and scale maintained balanced development with satisfactory overall performance



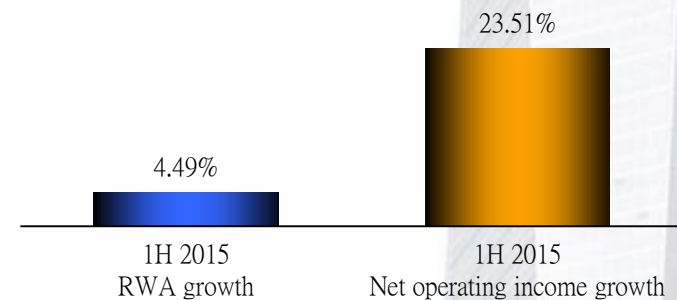
Note: 1. In this presentation, unless otherwise indicated, all financials are on consolidated Group level and all business data are on standalone Bank level. Comparative figures of reporting in 2014 may have been restated. Unless otherwise indicated, all data shown in this presentation are based on IFRS and denominated in RMB (hereinafter inclusive)
2. All data on this page is based on consolidated Group level

Promoting transformation and forging "Asset-light Banking" strategy (I)

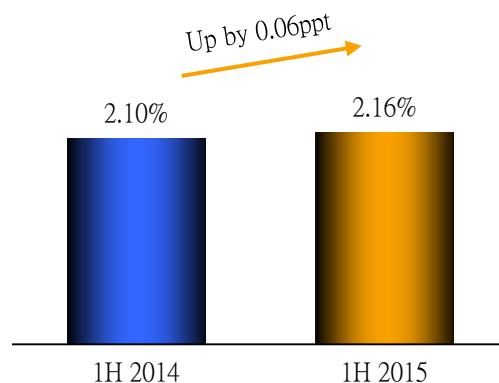
RWA to total assets



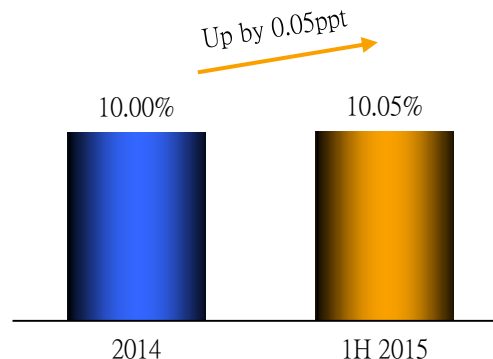
RWA growth and net operating income growth



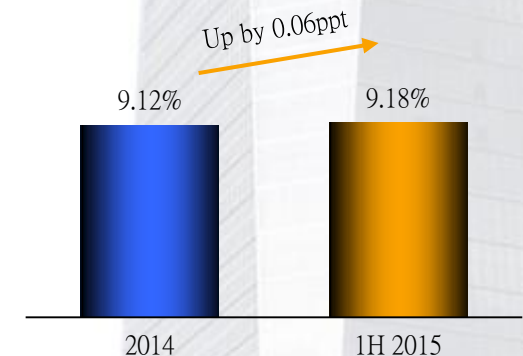
Annualized return on RWA



Core Tier 1 capital adequacy ratio (advanced method)

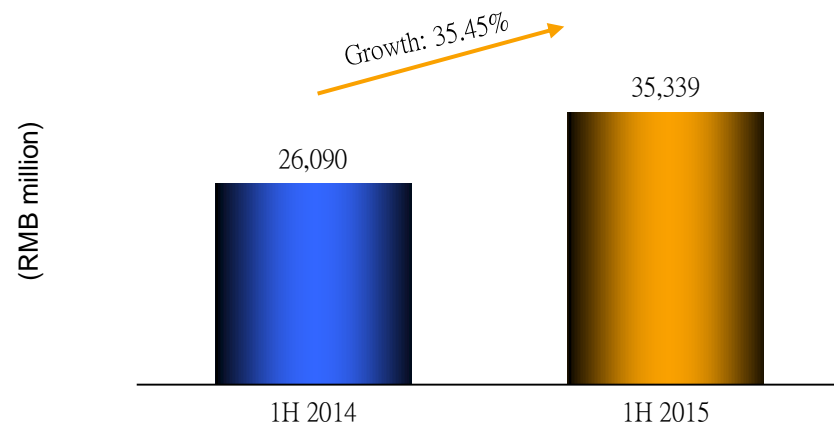


Core Tier 1 capital adequacy ratio (weighted method)

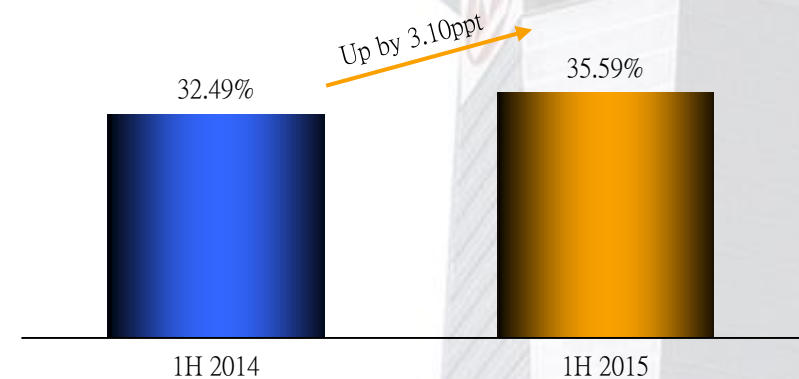


Promoting transformation and forging "Asset-light Banking" strategy (II)

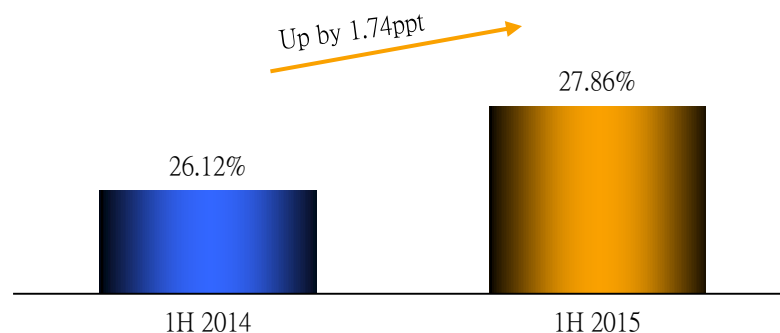
Net non-interest income



Proportion of net non-interest income to net operating income

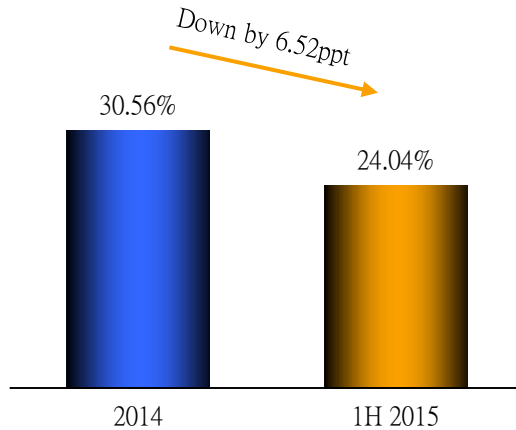


Risk adjusted return on capital before tax (RAROC)

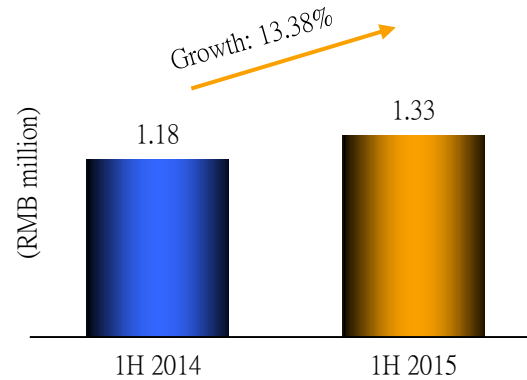


Promoting transformation and forging "Asset-light Banking" strategy (III)

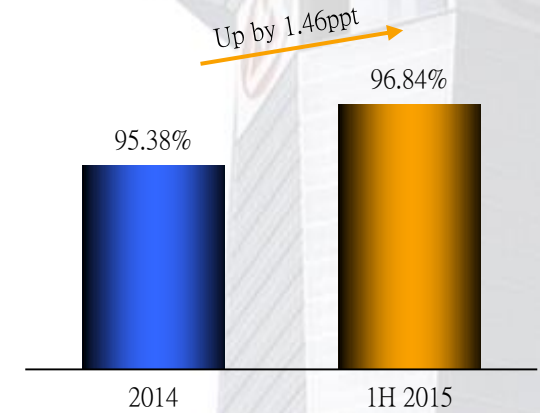
Cost-to-income ratio



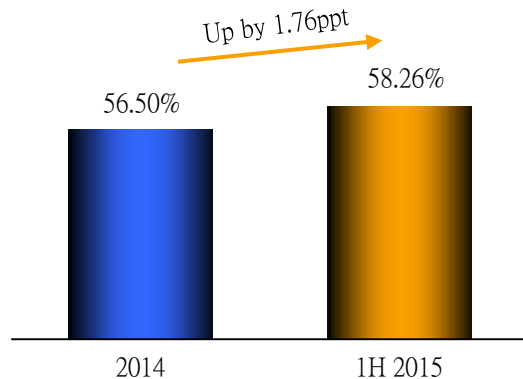
Operating income per capita



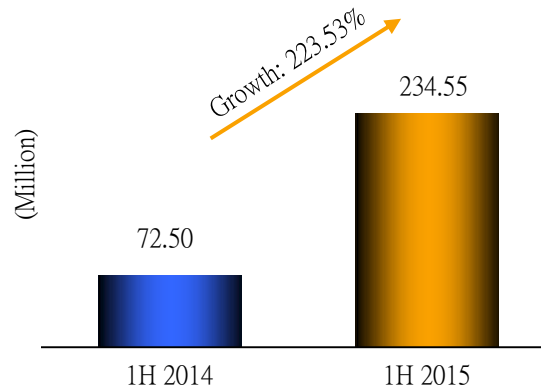
Counter replacement ratio of retail e-banking channels



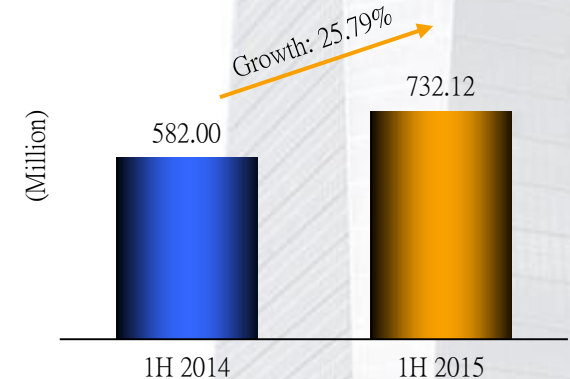
Counter replacement ratio in respect of corporate e-banking channels



Accumulated number of mobile banking transactions

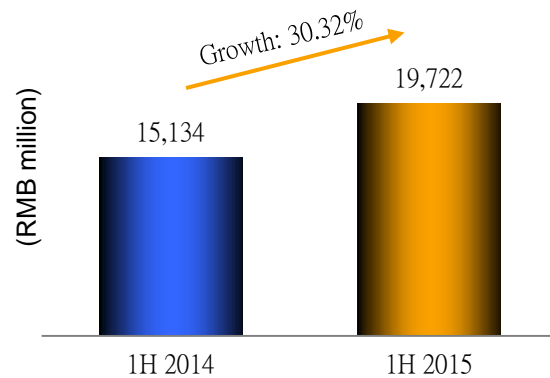


Accumulated number of retail online banking transactions

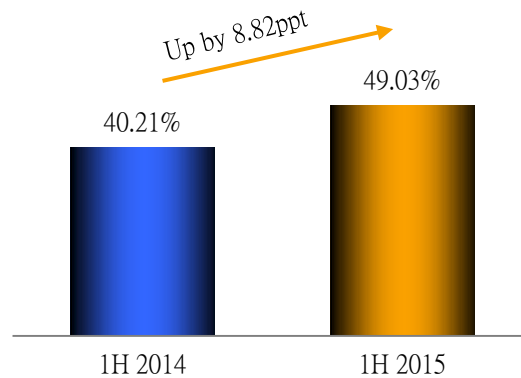


Promoting "one body with two wings" strategy and rapidly increasing retail finance profit contribution

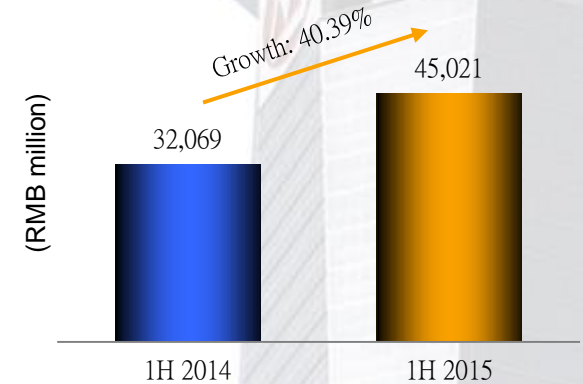
Pre-tax profit of retail finance business



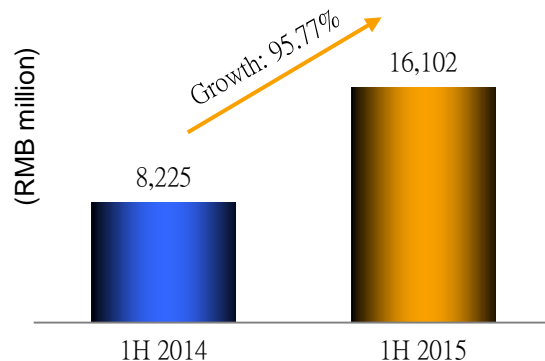
Percentage of pre-tax profit of retail finance business



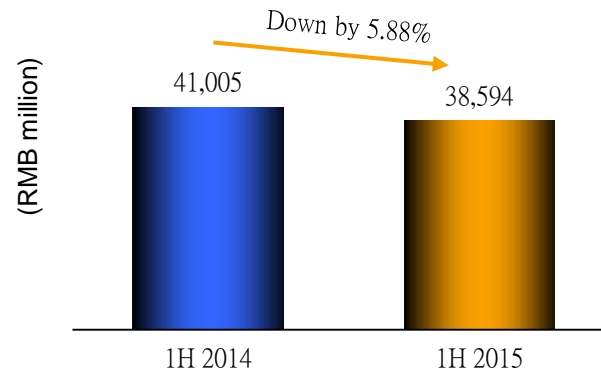
Net operating income of retail finance business



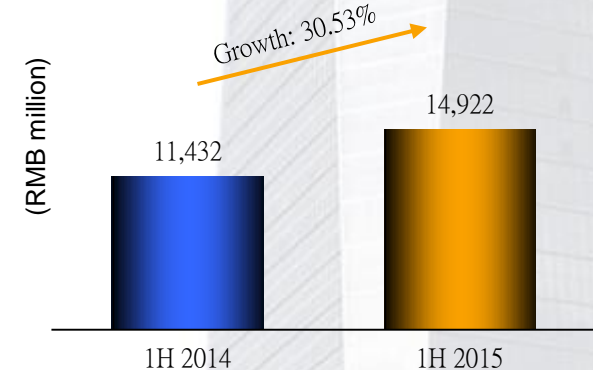
Net non-interest income of retail finance business



Net operating income of corporate finance business



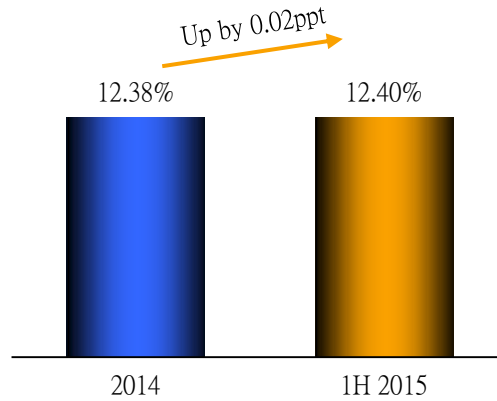
Net operating income from interbank finance business



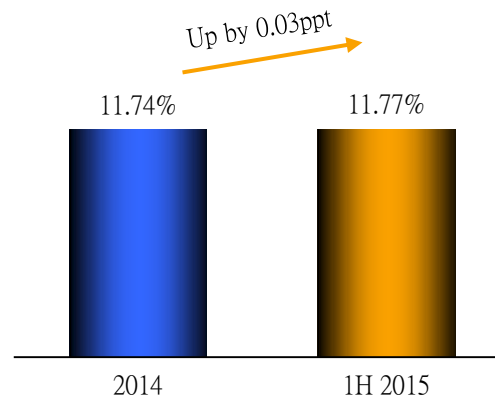
Capital position further improved and risk management remained prudent

Capital adequacy ratio

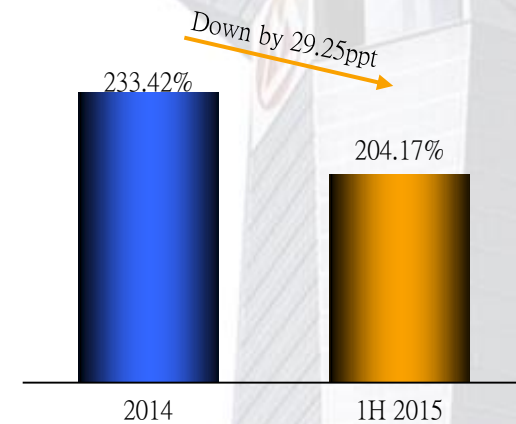
Advanced method



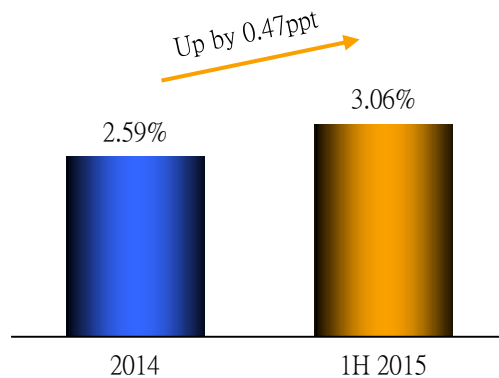
Weighted method



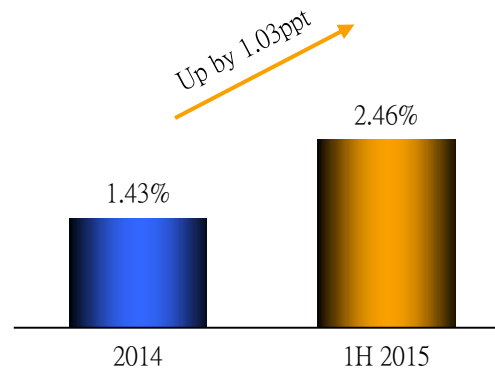
NPL allowance coverage ratio



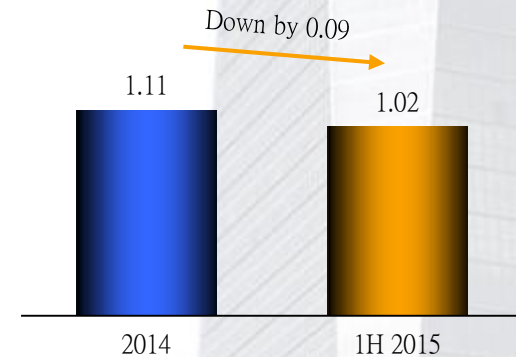
Loan allowance ratio



Credit cost



Ratio of NPLs to loans overdue more than 90 days



Brand recognition remained strong



The Asian Banker

Awarded the Best Retail Bank in China for the sixth time in 2015

Awarded the Best Joint Stock Retail Bank in China for the eleventh time in 2015

Best Cash Management Bank in China, 2015

Best Wealth Management Bank in China, 2015

Best Supply Chain Finance Bank in APAC



Euromoney

Awarded Best Private Bank in China for the fifth time in 2015



Sina Finance

Best Joint Stock Retail Bank, 2015

Most Valuable Public Bank, 2015

Best E-Bank of the Year, 2015



The Banker

Best Financial Innovation Award, 2015

Top 10 Innovative Financial Products Award, 2015

Top 10 E-Banking Innovation Award, 2015

Ranked 28th among the world's 1,000 largest banks, 2015



Private Banker International

Awarded the Best Private Bank in China for the fifth time in 2015



China Banking Association

Awarded the Most Socially Responsible Financial Institution for the fourth time in 2015

Best Green Finance Award in Social Responsibility of the Year, 2015

Excellent Philanthropy Award of the Year, 2015



Fortune

Ranked 235th Fortune Global 500 list in 2015

Ranked 29th Fortune China 500 list in 2015



The Asset

Best Cash Management Awards in China, 2015



China's Top 500 Valuable Brand

China's Top 500 Most Valuable Brand, 2015



The 9th Chinese Public Company Market Value Management Conference

Top 100 Capital Brand Value of the Year, 2015

Agenda

1

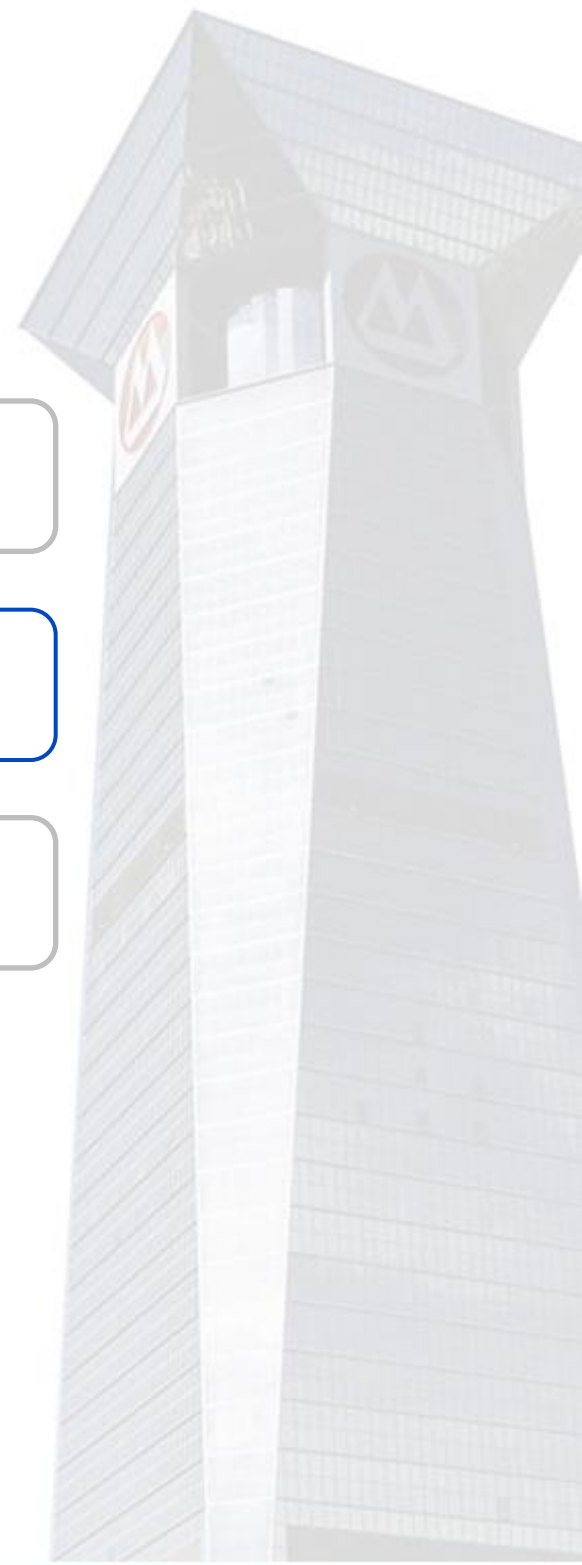
Overview

2

Operational Information

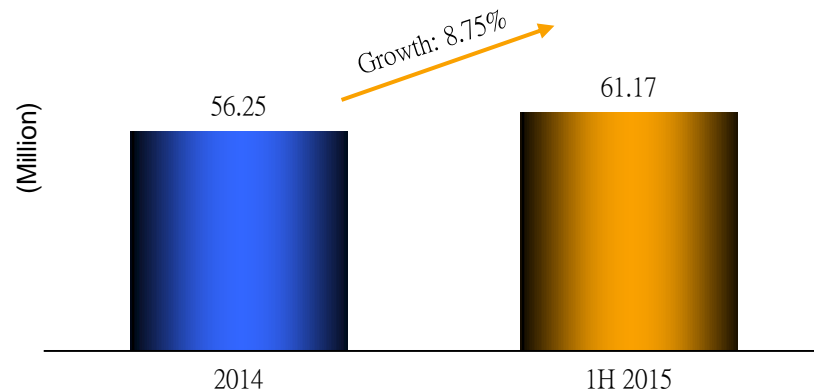
3

Outlook and Strategies

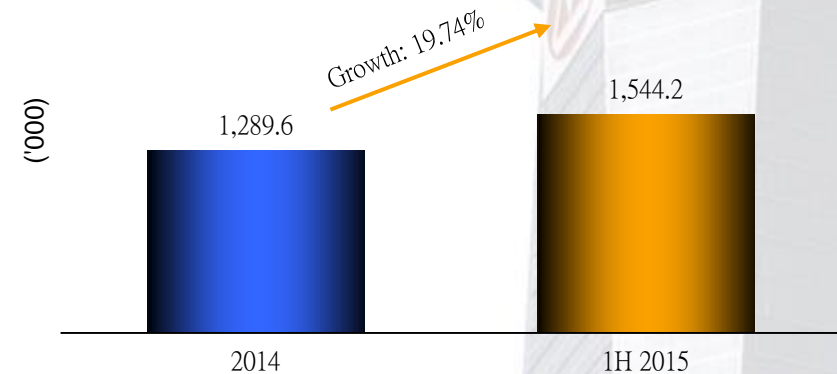


Retail finance client base continued to expand with high-value client base increasing rapidly

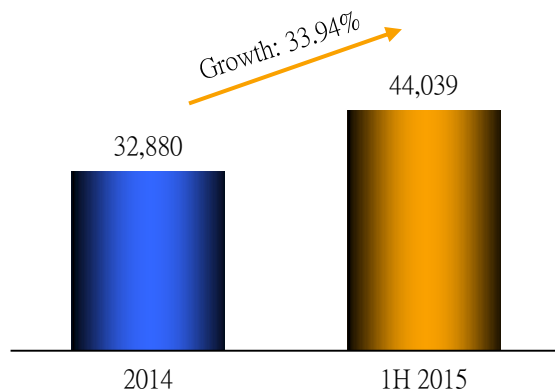
Number of retail customers



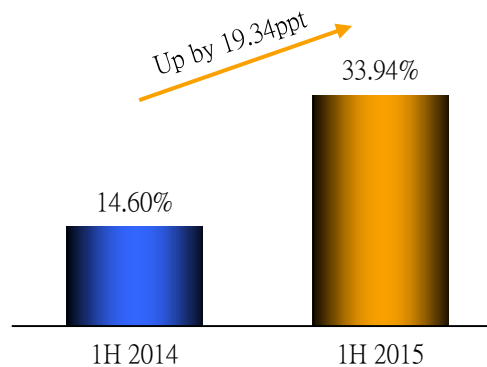
Number of sunflower-level and above customers



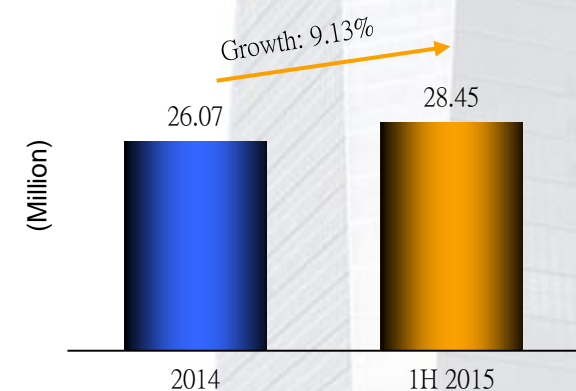
Number of private banking customers



Growth rate of private banking customers

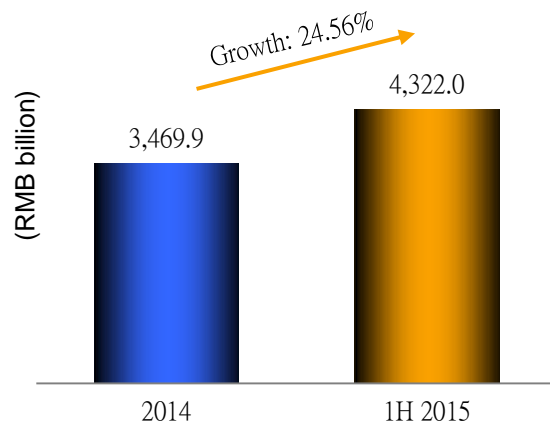


Number of credit card accounts in circulation

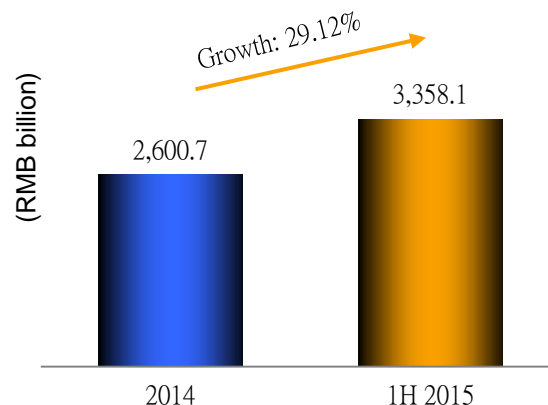


Wealth management achieved rapid growth and continued to maintain market leadership

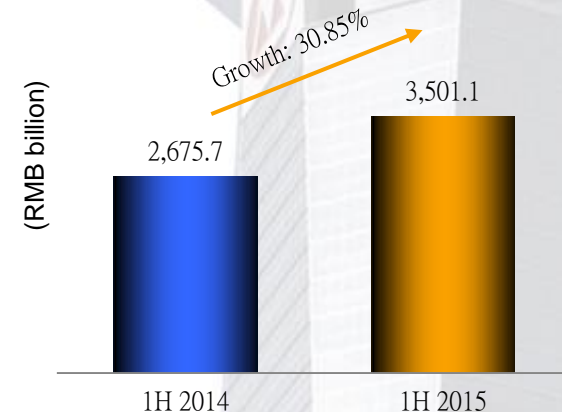
AUM of retail customers



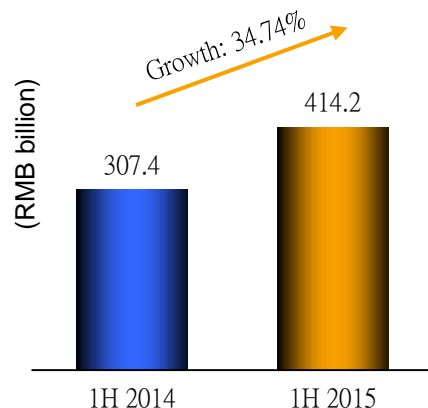
AUM of sunflower-level and above customers



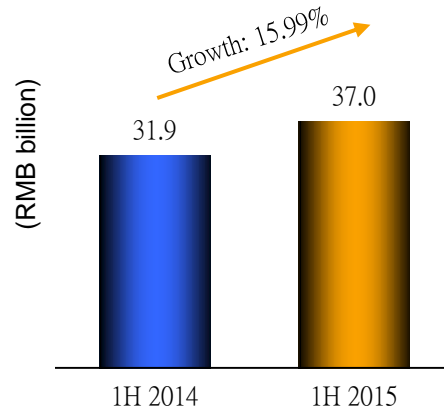
Accumulated sales of personal wealth management products



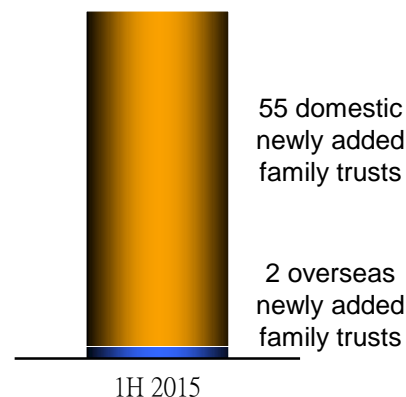
Sales of open-ended mutual funds



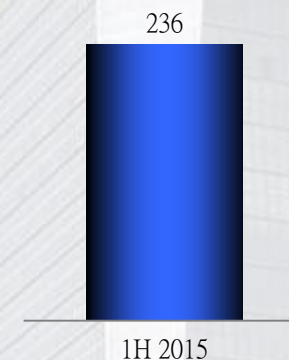
Premium from distribution of third-party insurance policies



Number of newly added family trusts

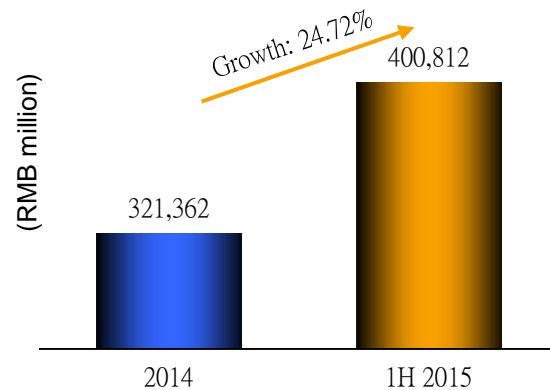


Number of newly added discretionary assets entrustment accounts

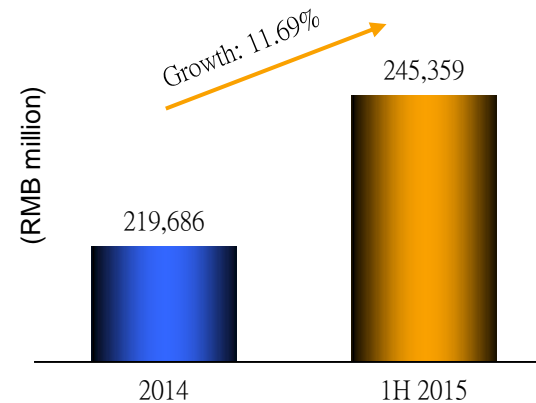


Retail finance rapidly developed with asset-liability structure further improved

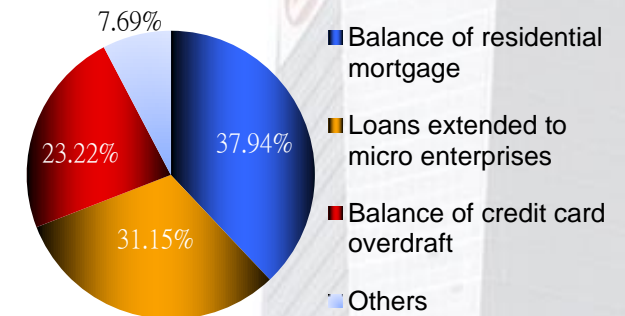
Balance of residential mortgage



Balance of credit card overdraft



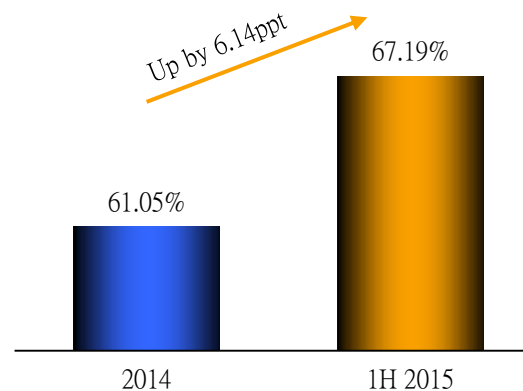
Retail loan structure



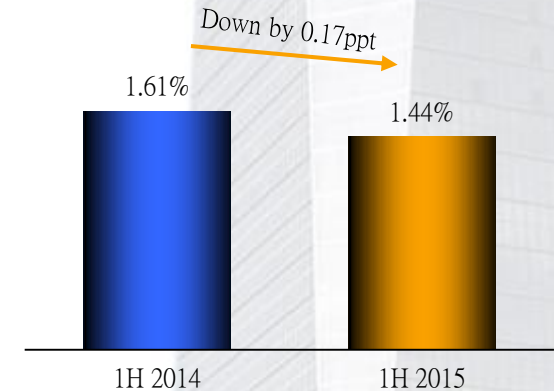
During the economic downturn, the Bank took initiative to adjust business structure, increased extension to low-risk residential mortgage business and proactively supported the development of credit card business. Retail loan structure is further optimized

Loans extended to micro enterprises amounted to RMB 329.09 billion, down by 1.95% from the beginning of this year, representing 31.15% of retail loans, down by 3.99ppt from the beginning of this year

Proportion of retail demand deposit

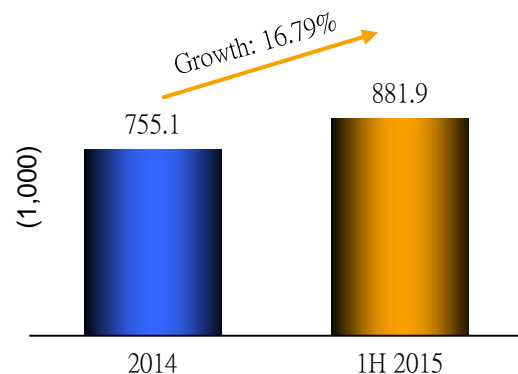


Annualized average cost of deposit from retail customers

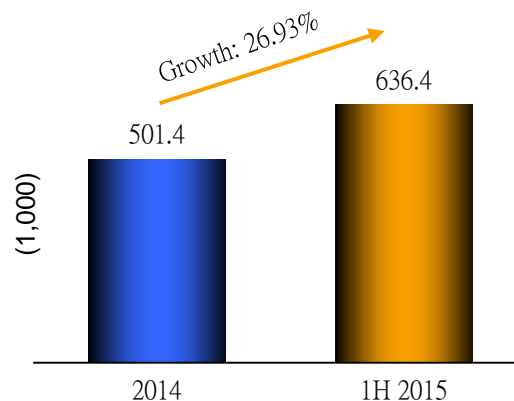


Foundation of corporate finance further enhanced

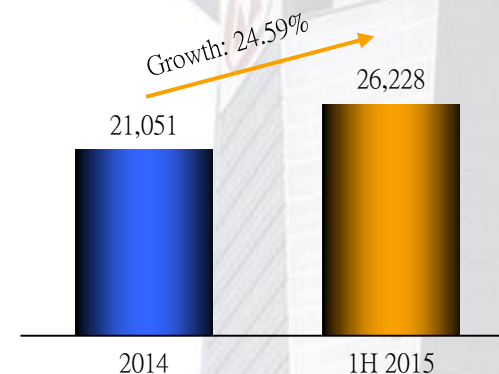
Number of corporate deposit customers



Number of SME customers

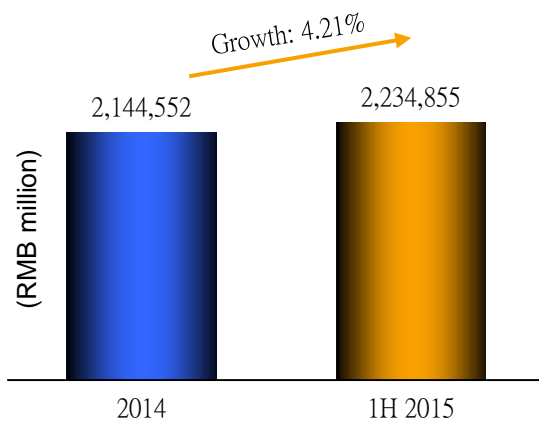


Number of "Qian Ying Zhan Yi" customers

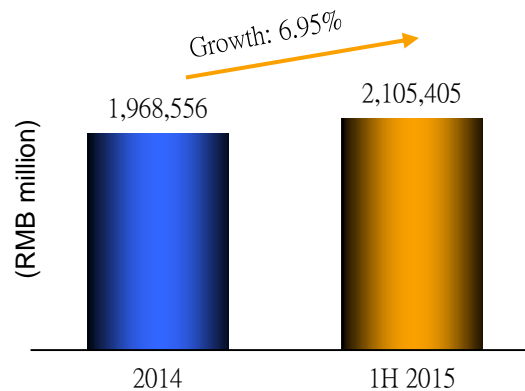


Note: The figures were adjusted due to the change of classification of "Qian Ying Zhan Yi" and part of the companies. The number of customers was adjusted from the end of last year

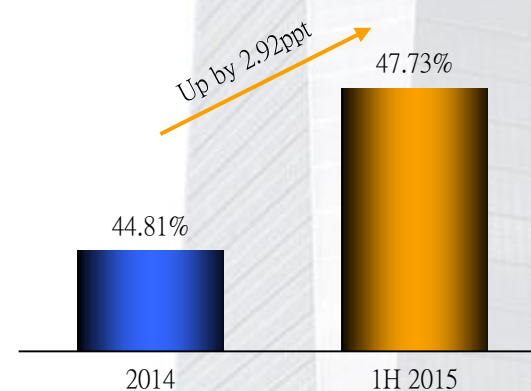
Balance of corporate deposits



Daily average balance of corporate deposits

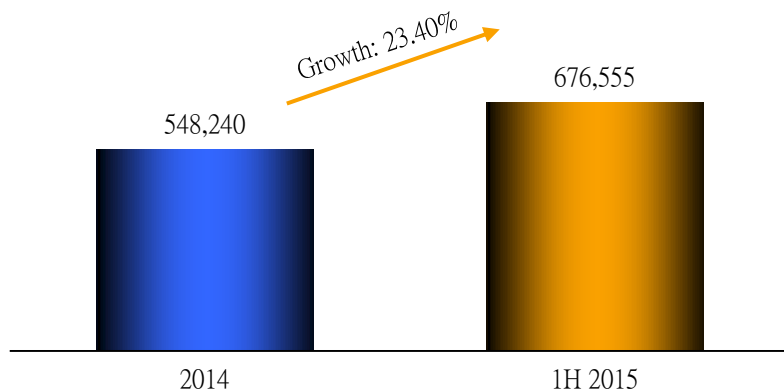


Proportion of demand deposit from corporate clients

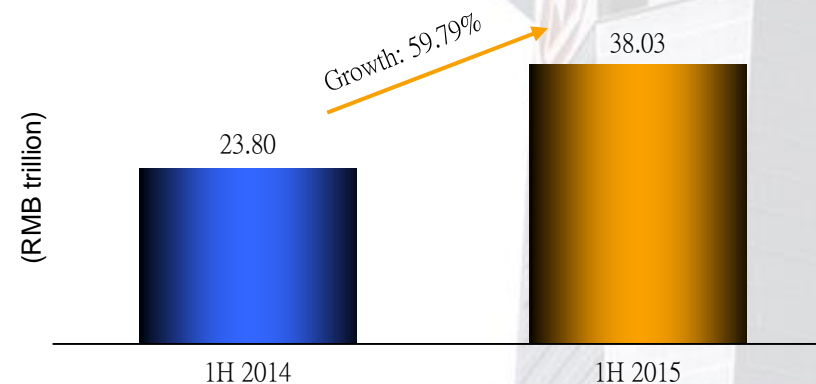


Transaction banking achieved structural growth (I)

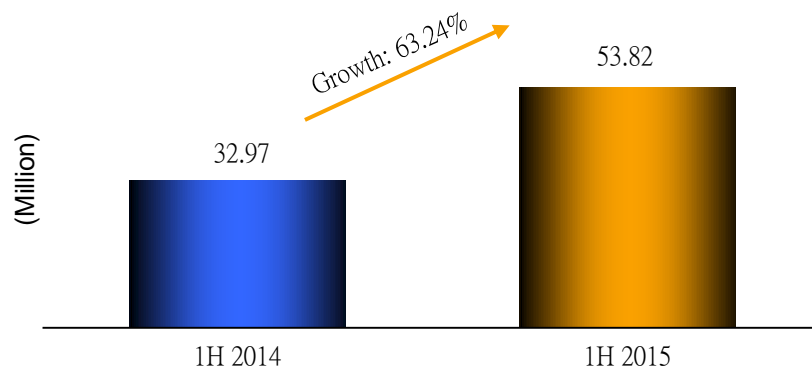
Number of cash management customers



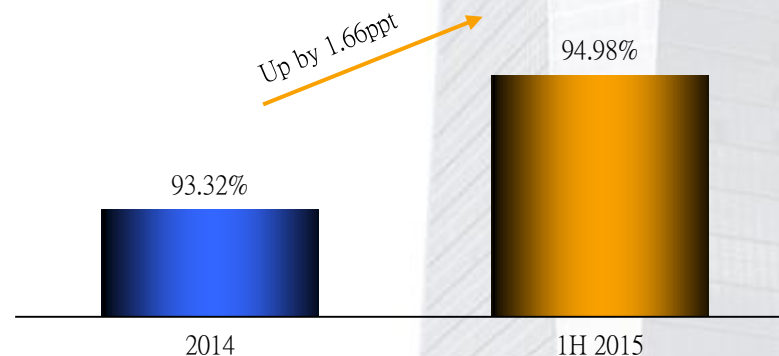
Cumulative transaction value of corporate online banking transactions



Cumulative number of corporate online banking transactions

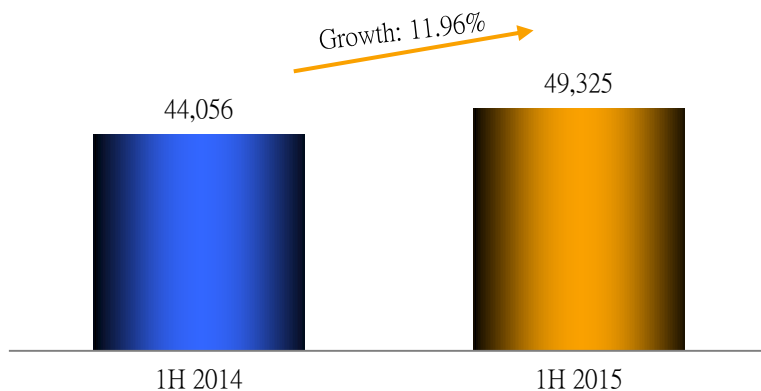


Replacement ratio of online corporate banking settlements

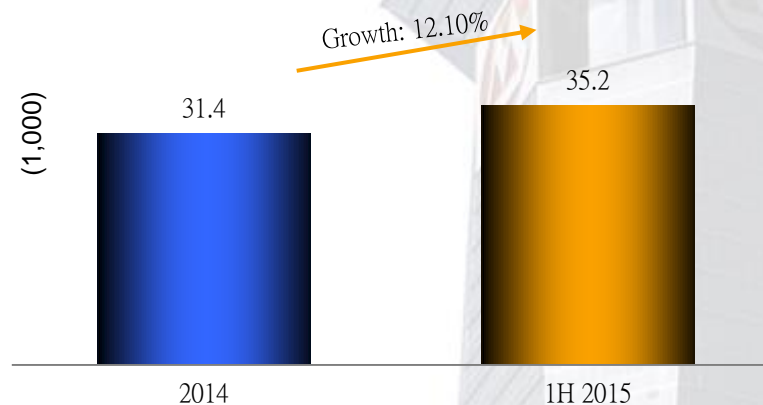


Transaction banking achieved structural growth (II)

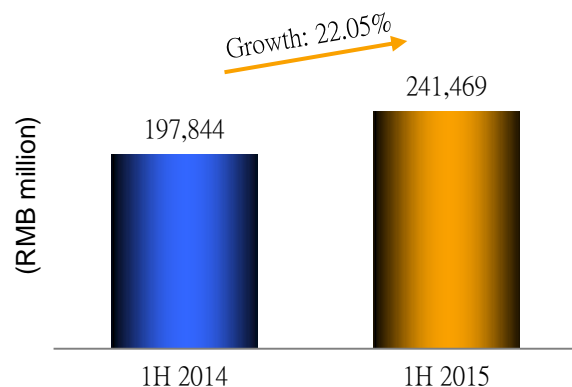
Number of onshore customers of international business



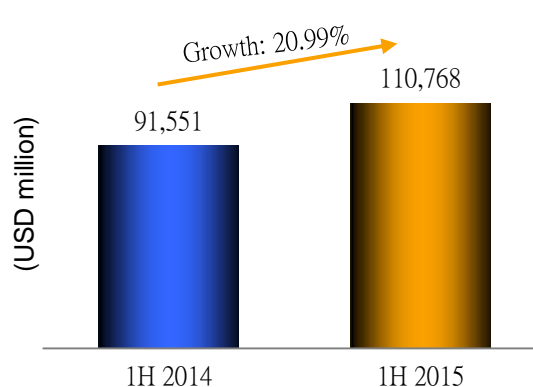
Number of offshore customers



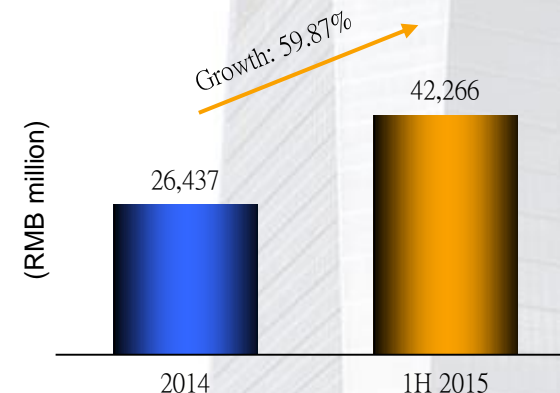
Amount of domestic trade financing



Amount of offshore international settlements

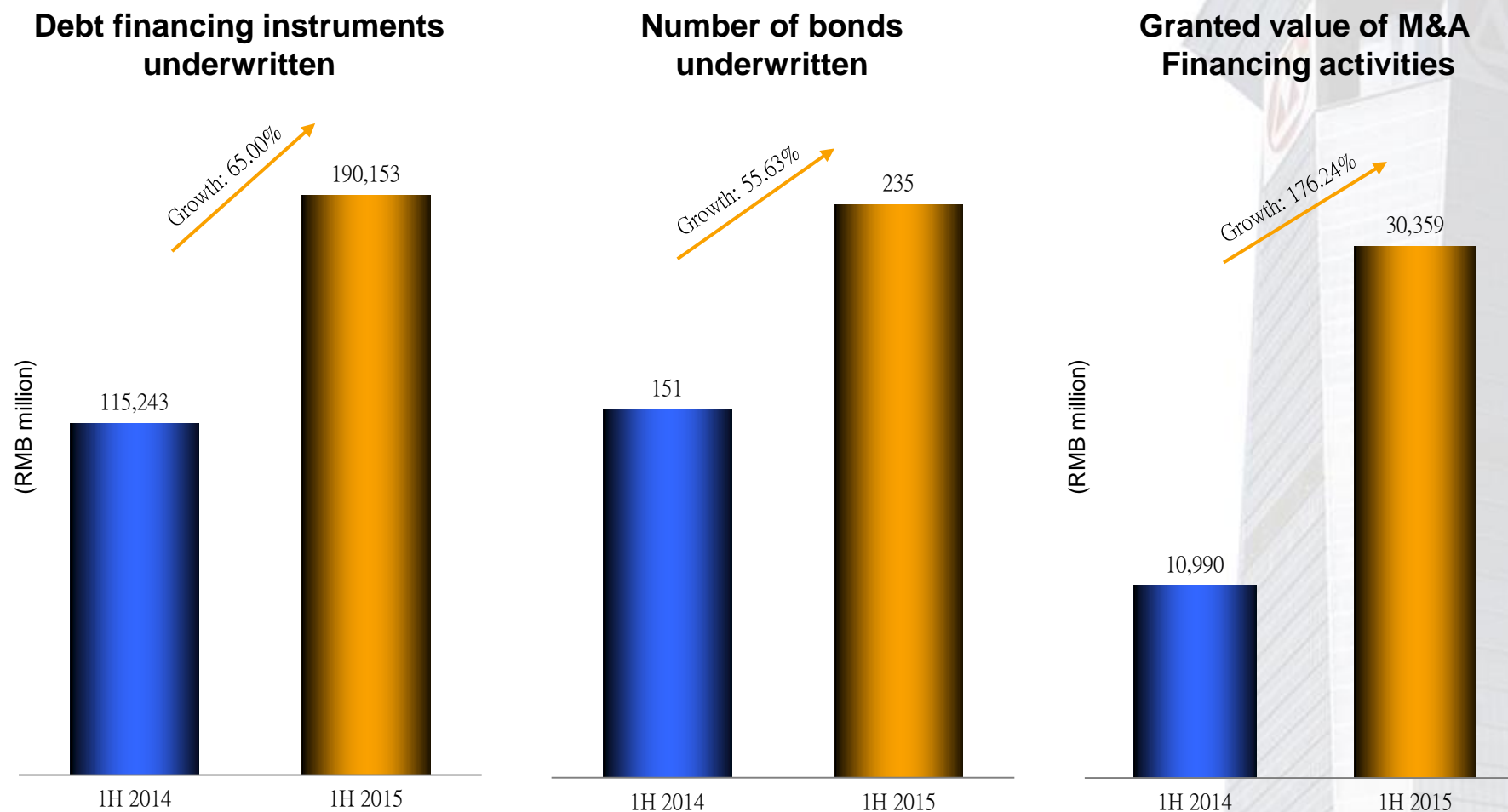


Balance of supply chain finance



Note: 1H 2014 data is based on reporting standards of 2014 annual report

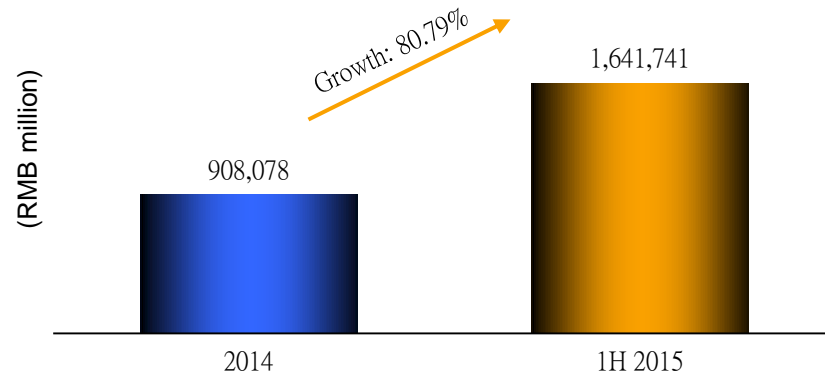
Investment banking business expanded rapidly



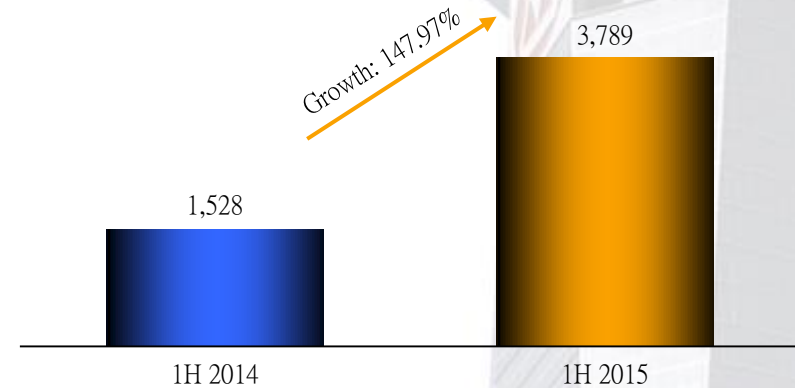
Note: The amount of debt underwritten by the Bank was No.1 among national small and median banks and No.5 in the industry

Interbank asset management business recorded steady growth

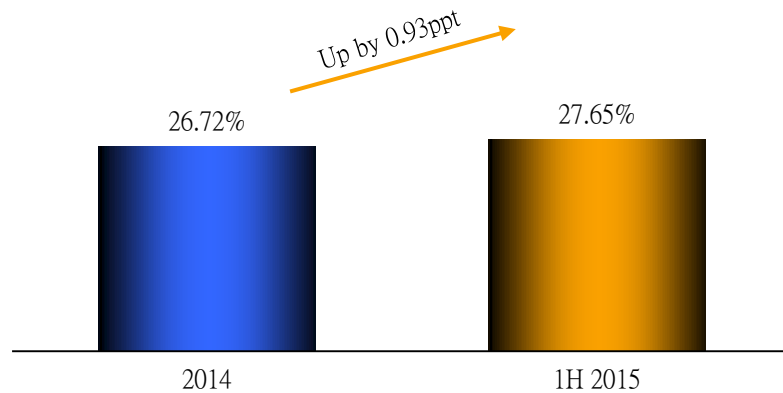
Balance of operating funds of wealth management products



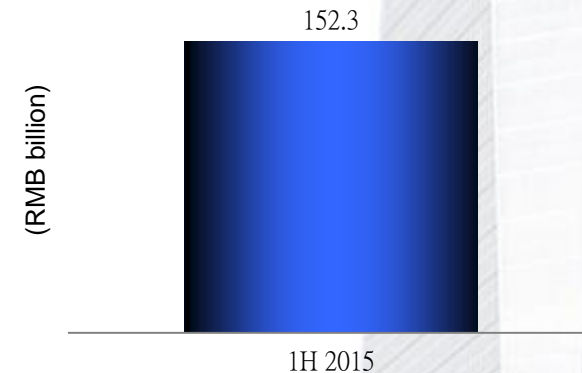
Number of wealth management products developed



Net value products as percentage of operating funds of wealth management products

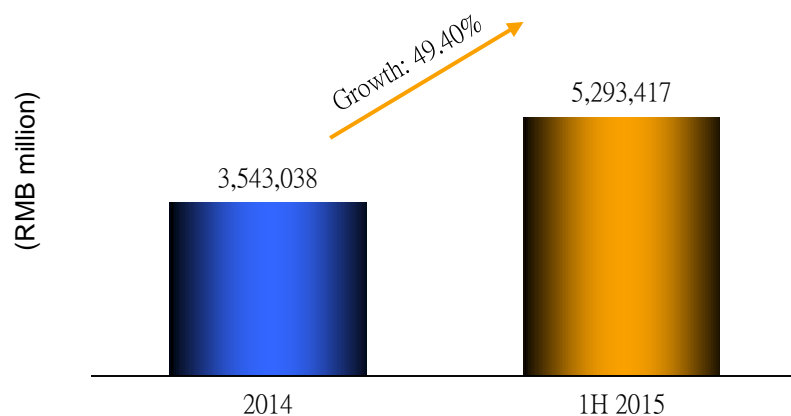


Size of margin financing for secondary stock markets

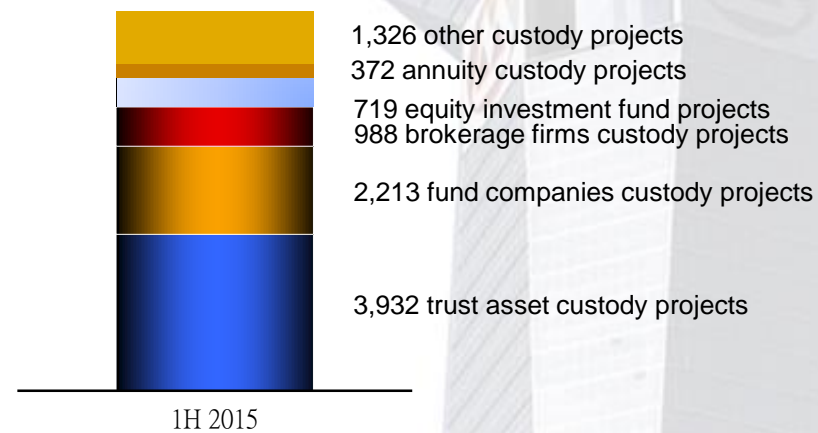


Custodian business experienced rapid growth

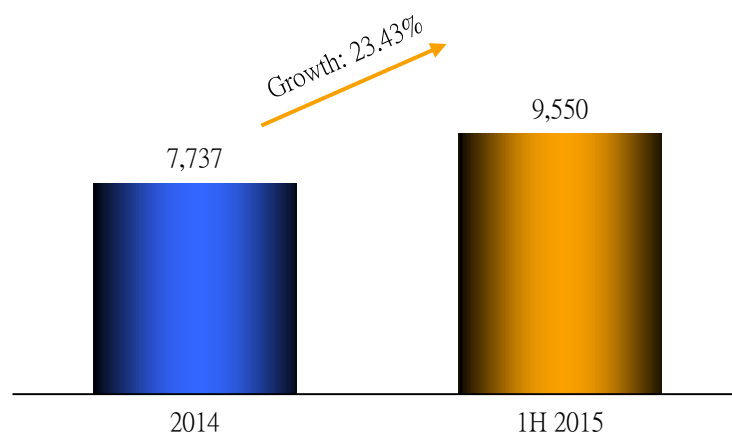
Assets under custody



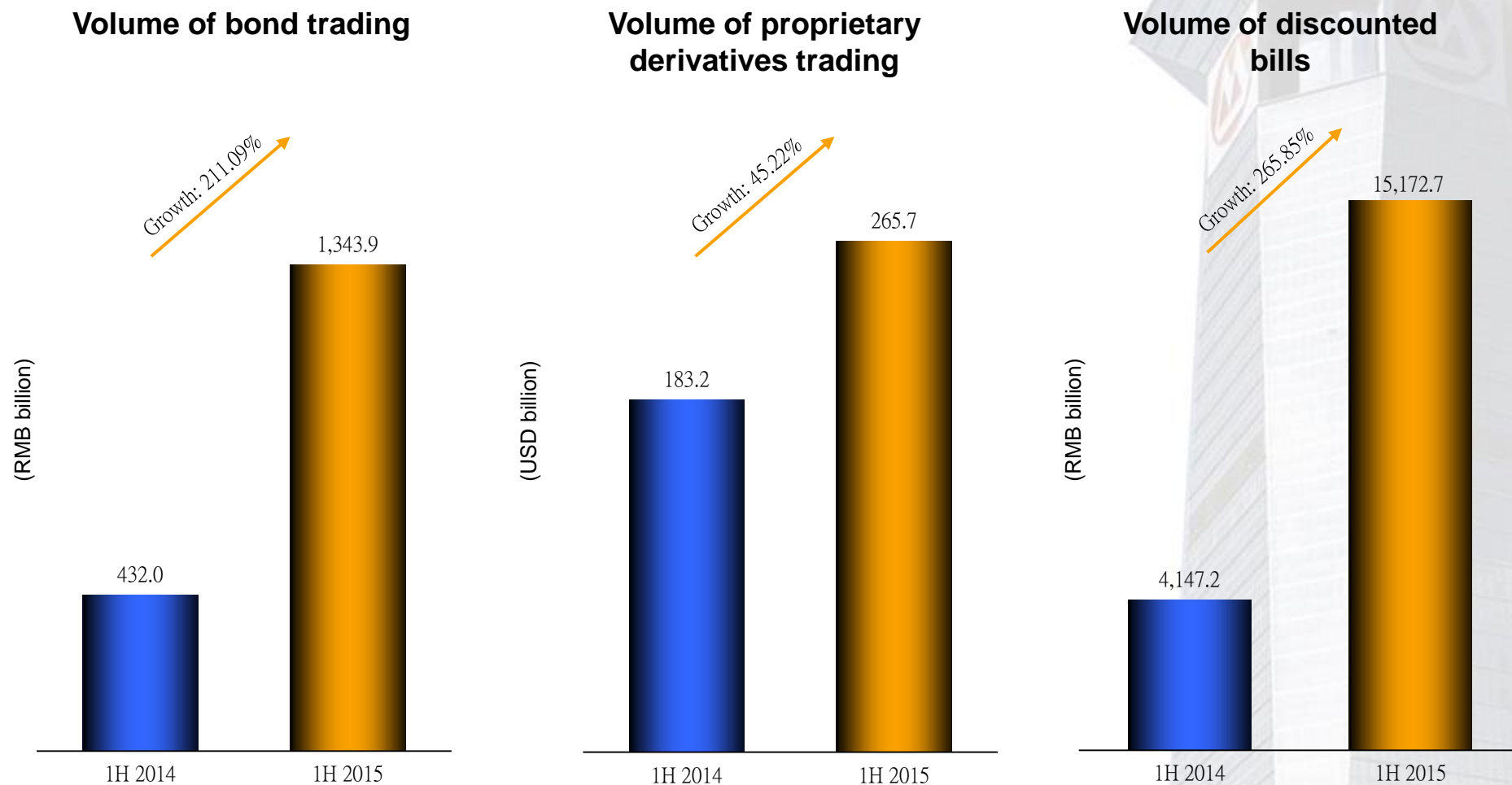
Structure of custody projects



Number of custody projects

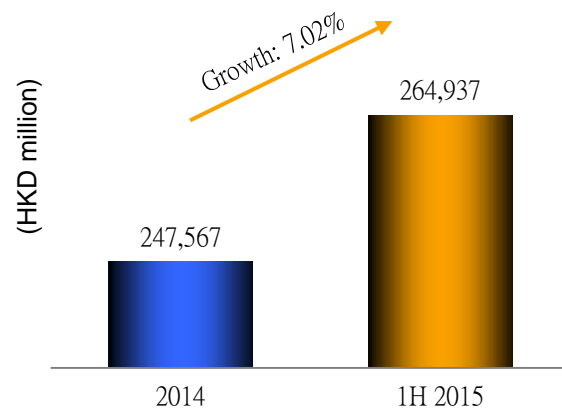


Financial market business achieved strong growth

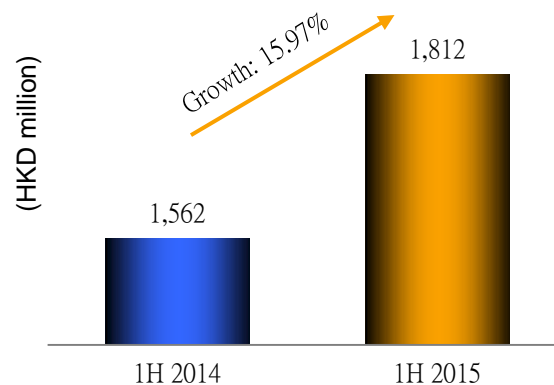


Comprehensive financial services continued to grow

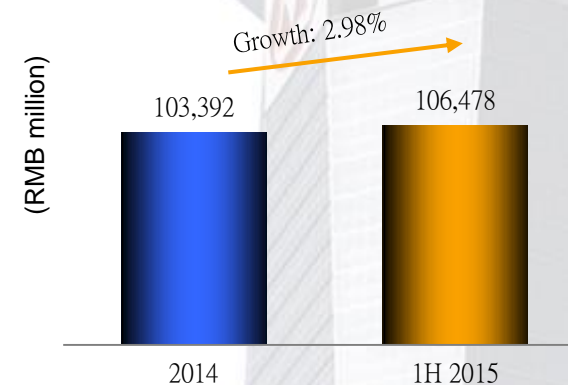
Total assets of Wing Lung Group



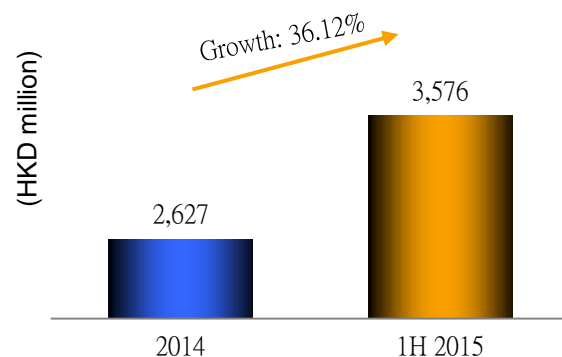
Net profit of Wing Lung Group



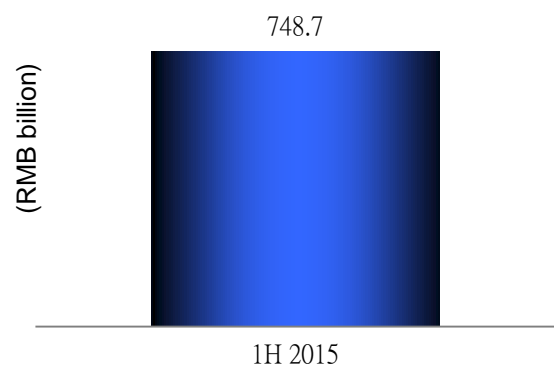
Total assets of CMB Financial Leasing



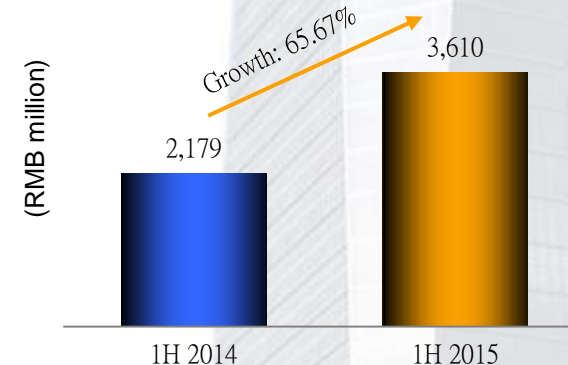
Total assets of CMB International Capital



AUM of China Merchants Fund²



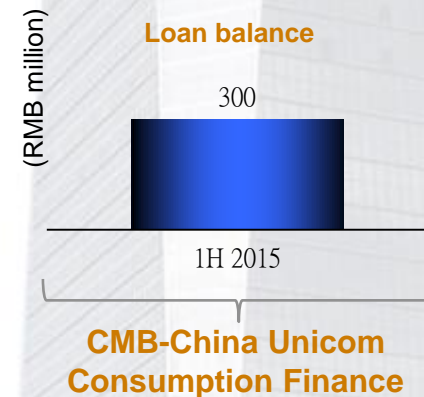
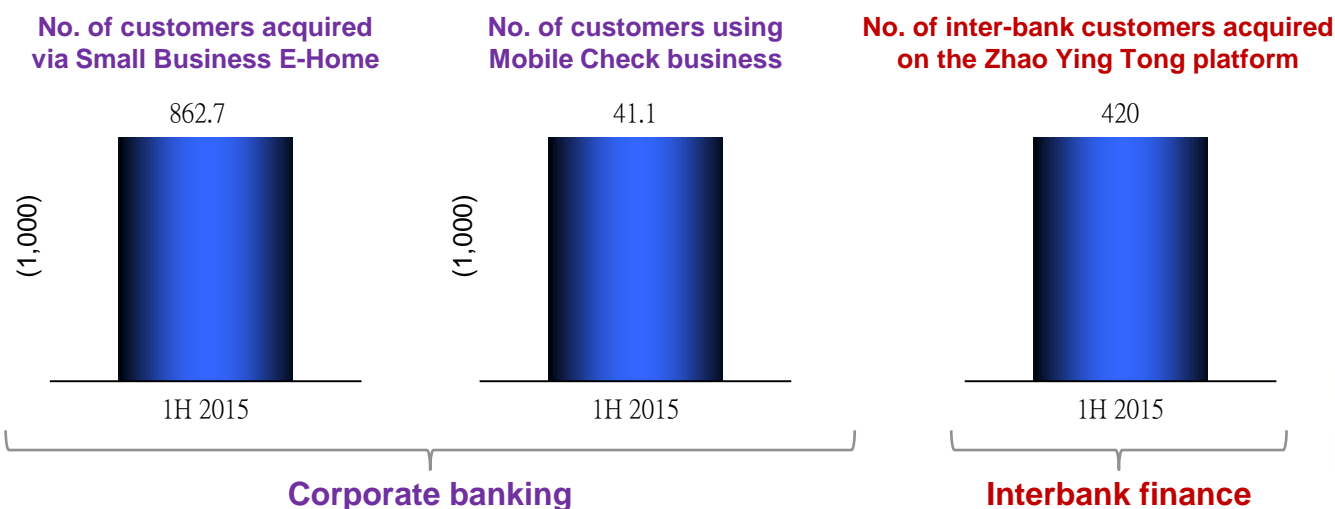
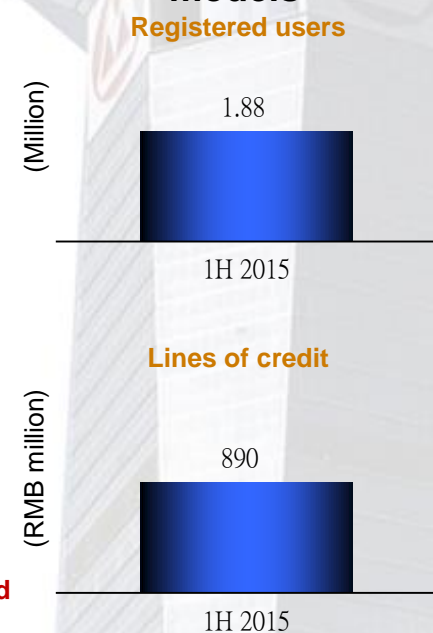
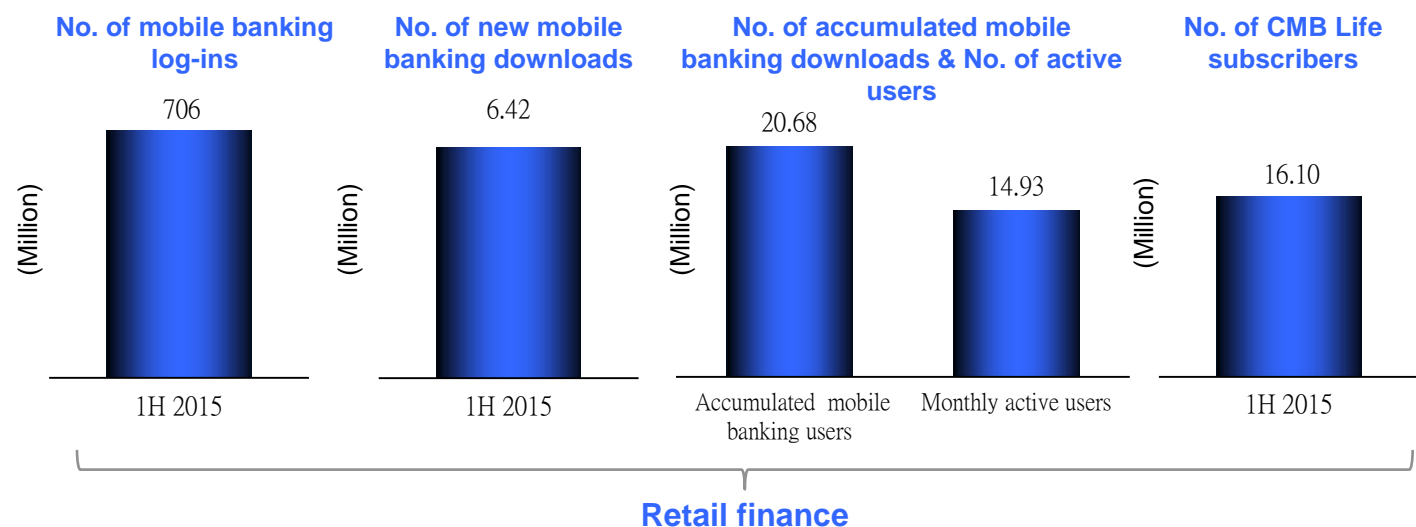
GWP of CIGNA&CMB Life Insurance



Mobile banking and internet finance developed in parallel

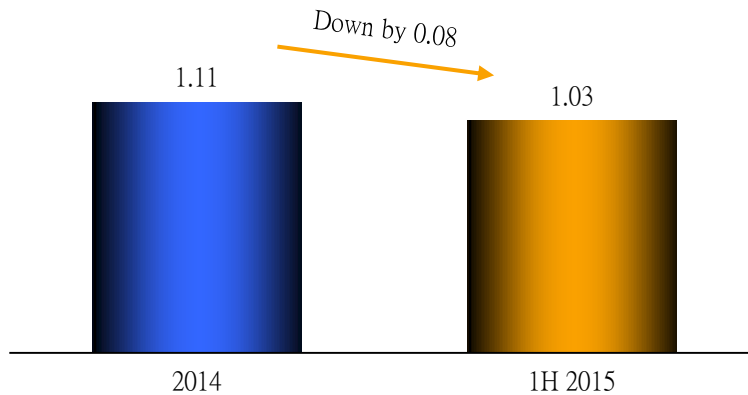
Remarkable progress in internal platform-based structural transformation with rapid growth in customer flows on six major platforms

Innovation on external competition and cooperation models

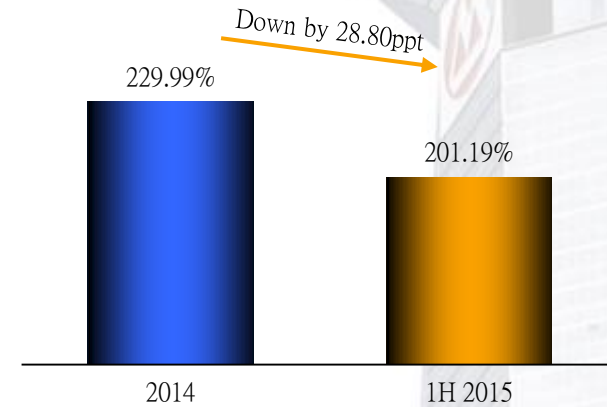


Strengthened risk management contributed to stable asset quality (I)

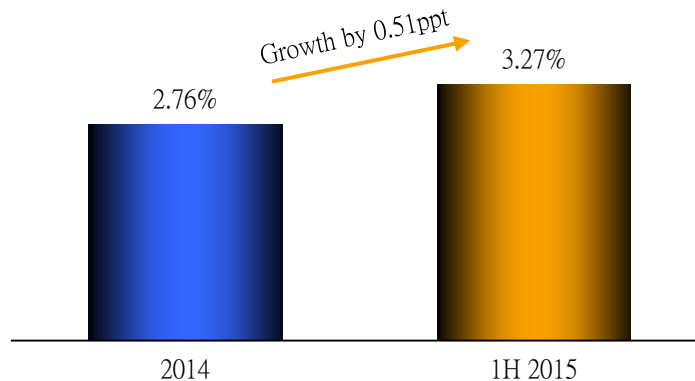
Ratio of NPLs to loans overdue more than 90 days



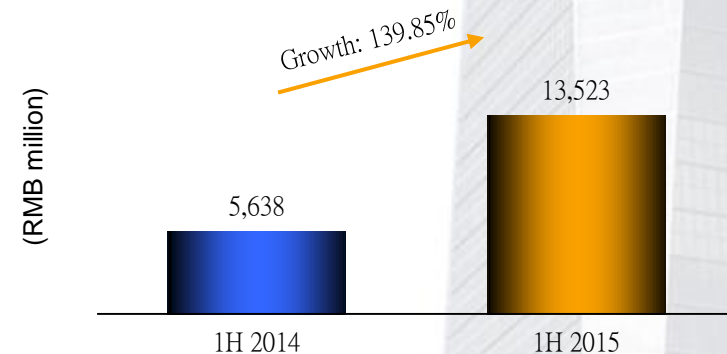
NPL allowance coverage ratio for domestic institutions



Loan allowance ratio for domestic institutions



Accumulated amount of disposed NPL

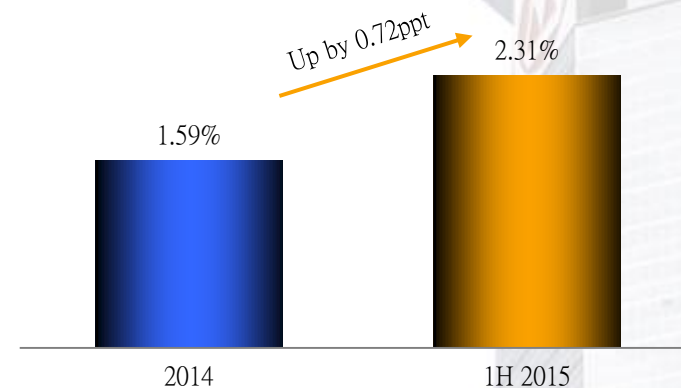


Improving risk management to ensure stable asset quality (II)

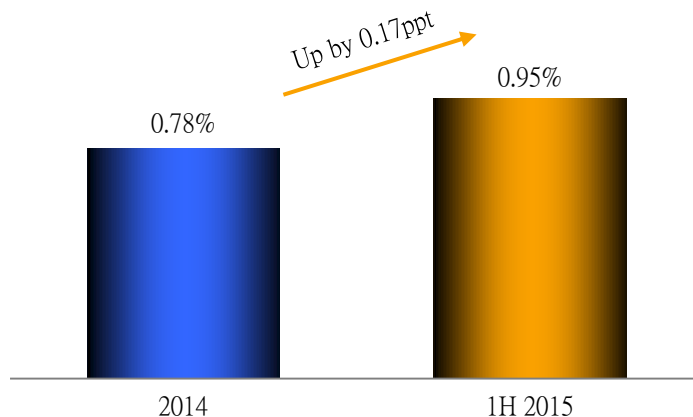
In response to grave risk environment, the bank adopted the operating philosophy that "quality is vital to survival" in 2015 and took the following measures:

- Enhancing organizational and management capabilities in credit risk management
- Optimizing new loan portfolio and leveraging on increments to adjust the risk structure of existing loans
- Improving early warning and verification processes to control customer default risk and risk from inadequate fulfillment of internal management responsibilities
- Enhancing risk screening on portfolio risk and increasing the efforts in reducing the exposure to high-risk assets
- Facilitating the NPL disposal and accountability of non-performing loans

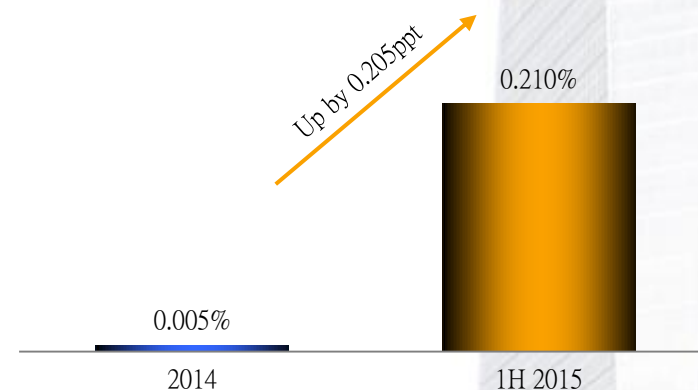
Corporate NPL ratio



Retail NPL ratio

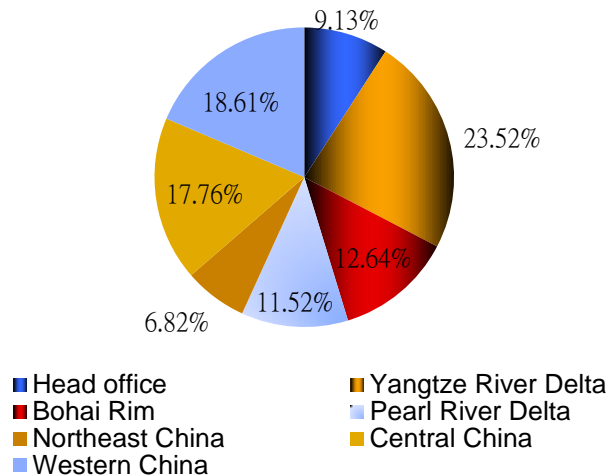


Non-standard credit assets NPL ratio

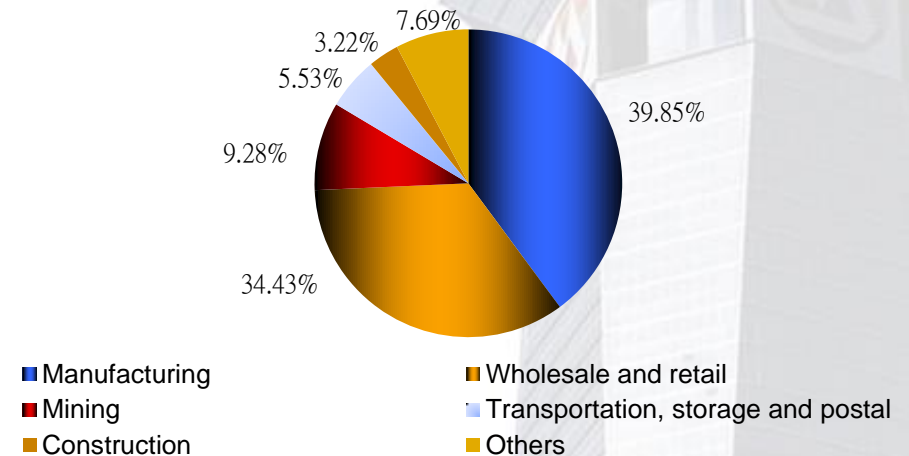


Improving risk management to ensure stable asset quality (III)

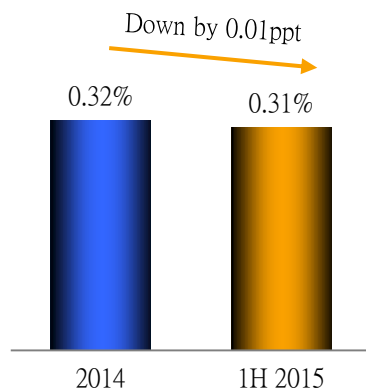
NPL breakdown by geography



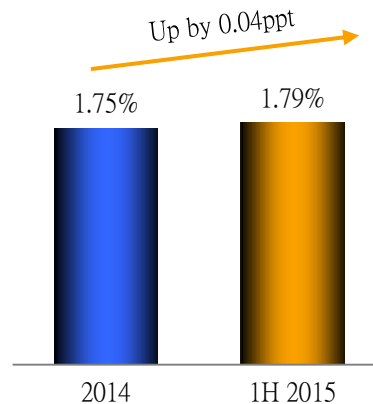
Corporate NPL breakdown by industry



NPL ratio of loans for domestic corporate real estate



NPL ratio of loans extended to overcapacity industries



In respect of loans extended to local government financing vehicles, the company implemented risk quota management on full statistical calibers. Besides, we further specified the requirements of controlling the total amount of loans, adhered to the loan approval standard featuring "high level and strong cash flow" and continued to optimize the loan structure of such platforms. Based on the research on public-private partnership model, we set the approval standard for government guide fund. Apart from LGFV creditor rights and government debt classification, we continued to follow up changes in debt policies of central and local governments and formulated management requirements. Meanwhile, we paid close attention to local debt replacement to secure creditor's rights. As of end of June, 2015, there were no non-performing assets for LGFV loans

Agenda

1

Overview

2

Operational Information

3

Outlook and Strategies



Challenges and opportunities

Challenges

International

- ◆ Continued weak global economy with unbalanced growth
- ◆ Increasing expectation for Fed rates hike
- ◆ Increased complexity and volatility of global financial markets

Domestic






- ◆ Economic slowdown with downside pressure on the real economy and lack of growth drivers
- ◆ Lack of demand for traditional bank credit, coupled with increasing risk exposures
- ◆ Increasing operating pressure as a result of greater volatility in capital market, acceleration in interest rate liberalization and RMB/USD rate pricing mechanism adjustment
- ◆ Competitors from within and outside the sector, particularly Internet finance companies and privately owned banks, will intensify the competition

Opportunities

- ◆ Firstly, the deepening government, fiscal, taxation and SOE reforms will create favorable operating conditions for banks
- ◆ Secondly, implementation and progress of strategic initiatives such as RMB internationalization, "One Belt and One Road" (OBAOR) and the free trade zone provide commercial banks with business development opportunities
- ◆ Thirdly, the rapid development of emerging industries, such as services sector, along with the rapid accumulation of household wealth brought opportunities to support the robust development of commercial banks' businesses including asset distribution and wealth management
- ◆ Fourthly, as new technologies, including information communication and internet further matured, commercial banks may acquire customers more efficiently and control operating risk through platform establishment, data mining and flow management

Operating strategy

In face of the abovementioned challenges and opportunities, the bank will strive to achieve its strategic objective of building a "asset-light bank" under the development strategy of "one body with two wings" in the second half of 2015. In particular, we will step up efforts in the following aspects:

-  Continue to take specific measures to improve risk management capability and enhance overall risk management
-  Maintain the effective growth in risk assets to ensure the coordinated development of "profitability, asset quality and scale"
-  Develop asset-light emerging businesses such as wealth management, asset management, and investment banking businesses, in addition to exploring new businesses related to big data and internet finance
-  Carry on organizational structure reform, process innovation and service upgrade to improve operational efficiency and service capabilities
-  Explore employee stock ownership plan to mobilize the organization and personnel and increase the overall competitiveness of the bank



Q&A

